

# Informal Credit and Economic Modernization in Milan (1802-1840)\*

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## 1. Introduction

The crucial role of banks in modern economic development has been argued forcibly by a series of studies that have now become “classics” and it is one of the mainstays of the interpretation of nineteenth century industrialization. Albeit from a variety of positions, emphasizing the importance of commercial banks or of universal banks, the presence of banks – legally incorporated (as joint stock companies) and with statutory rules allowing them to raise capital and to make long-term investments, what might be called *formal banking* – has been considered indispensable for the progress of industrialization; for Postan, Cameron and Gerschenkron<sup>1</sup>, without banks, countries would have not solved the problem of mobilizing funds and would therefore have undergone slower economic growth or stagnation.

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\* Some of the results of this research were presented at session n. 87 “Financial Intermediation and Economic Growth across the Globe” of the XVI<sup>th</sup> World Economic History Congress, Stellenbosch, 9-13 July 2012.

<sup>1</sup> See, among others, Cameron R., *Banking and Economic Development*, Oxford University Press, New York, 1972, and also, *Financing Industrialization*, Elgar, Aldershot, 1992, 2 vol.

More recently, this correlation has been strengthened by Douglass North's New Institutional Economics: according to this perspective, modern banking institutions are able to reduce transaction costs associated with information asymmetries and to reduce the friction that exists in capital markets, producing benefits for the efficiency of the economic system<sup>2</sup>. The considerable prominence of banks in studies of financial history (as sponsors of company histories and conferences, but above all for their archives) has also contributed to overestimating the "historic" function of modern banks.

The correlation between banking and growth resulted in overstating the role of formal credit institutions; banks (or rather a certain type of nineteenth-century bank) have become a sort of universal paradigm against which to measure the efficiency or backwardness of any other form of intermediation functional for growth.

The Milanese credit system in the first half of the nineteenth century is one of the principal victims of this interpretative distortion; it has been dismissed as inefficient and incomplete both because of the refusal of the city, during the Napoleonic period, to accept the proposal of the governing authorities to create a central authority for note-issue, and because of its failure over the following decades to develop formally incorporated banks<sup>3</sup>. However, an interpretation

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<sup>2</sup> Cfr. D.C. North, "Transaction costs in history", in *The Journal of European Economic history*, v. 14, 1985, 3, pp. 557-576; Id., *Istituzioni, cambiamento istituzionale, evoluzione dell'economia*, Il Mulino, Bologna, 1994, pp. 23-32.

<sup>3</sup> Cfr. G. Piluso, "Regole, istituzioni, mercati: modelli e innovazioni istituzionali a Milano dalla Restaurazione all'Unità", in G. Conti, T. Fanfani (eds.), *Regole e mercati: fiducia, concorrenza e innovazioni finanziarie nella storia creditizia italiana*, Edizioni Plus, Pisa, 2002, pp. 67-86.

that condemns financial systems as inadequate or lacking formal institutions – phenomena that belong to a later period (i.e. central banks) or are characteristics of different contexts (i.e. the modern banks) – is like judging a fish from how it copes when out of water.

On the theoretical side, neo-institutionalists themselves attribute a central role in financial intermediation to informal institutions and rules (consisting only of informal constraints, “not enforceable by law”)<sup>4</sup> and to personal relations of trust, whilst, in terms of archive materials, the work of Hoffman, Postel-Vinay and Rosenthal provide convincing evidence of the importance of alternative organizational arrangements, centred in particular on notaries<sup>5</sup>: theoretical conclusions and empirical results that reveal the limited rationality of modern banking systems and encourage analysis based on archive evidence.

This paper intends to present a more thorough reconstruction of the Milanese credit market in the first half of the nineteenth century than has been attempted hitherto, identifying its real actors – both those informally<sup>6</sup> involved in loan activities (i.e. without specific juridical status) and those organized into specific institutions – and their interplay.

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<sup>4</sup> D.C. North, *Transaction Costs in History*, cit., p. 559.

<sup>5</sup> P.T. Hoffman, G. Postel-Vinay, J.L. Rosenthal, *Priceless Markets. The Political Economy of Credit in Paris, 1660-1870*, Chicago, UCP, 2000.

<sup>6</sup> Pietro Cafaro has put forward striking interpretations on the informal nature of the credit system in Lombardy: “Alle origini del sistema bancario lombardo: casse di risparmio e banchieri privati (1860-1880)”, in *Banche e reti di banche nell'Italia postunitaria*, vol. II: *Formazione e sviluppo di mercati locali del credito*, edited by G. Conti, S. La Francesca, Il Mulino, Bologna, 2000, pp. 437-441.

After a brief description of the data used, the focus of the paper is on the effectiveness of the credit system based on a close network of family and professional relations, as well as friendship, in which the major role is played by non-professional lenders, such as religious bodies, ecclesiastical and lay entities, and private lenders. These networks were very resilient, and this was made possible by the essential role of notaries, who offered increasing returns thanks to the accumulation and distribution of information, initiating a process of path-dependence which had considerable impact on the first wave of banks created after the Unification of Italy.

Finally, I give some preliminary evidence that this informal credit network was complementary both to the activities of private bankers who – in the form of individual companies – mainly dealt with short-term loans for silk manufacturing (discounting bills of exchange with two signatures), and to the activity of the Cassa di Risparmio [Savings Bank] in Milan; while the bank, founded in 1823, made long-term loans against the collateral of land, the galaxy of informal lenders, via notaries, financed the collateral of classes and entrepreneurs with less secure guarantees. Their reliability was established not on the security of property but by the capital of information circulating in the network of relations.

## **2. The Data**

The research is based on the notarized deeds of Milan. Firstly – since there are no inventories or tax records that might yield selective or consistent information about loans

and debts – a “horizontal” picture has been built up of the overall activities of notaries in the city in certain benchmark years: this investigation is not yet complete so this data is based on the records of 1825, 1830, 1835 and 1840. The starting point is 1825 because the only formal banking institution active in Milan, albeit with its own statute, the Cassa di Risparmio, was opened in 1823. The total number of acts and notarized debt/credit transactions (of financial dealings in general) are shown in the table 1.

**TABLE 1**  
Total acts and debt/credit acts

Year	N. of active notaries	Total Acts	Debt/ Credit Acts	% Debt/ Credit Acts
1825	45	3,810	1,096	28,7
1830	44	3,780	892	23,6
1835	51	4,834	1,378	28,5
1840	56	5,478	1,752	31,5

Secondly, the activity of some notaries in Milan has been traced vertically in order to reconstruct “concatenated deeds”, providing important information which would otherwise be lost, and enabling the real meaning of each document to be investigated, offering – when taken together – a rich tapestry of information; a sample has been singled out of twenty notaries; they were active between the end of the eighteenth and the mid nineteenth centuries. And since some of these transactions went beyond the city, the deeds of notaries in other locations within the network (Sondrio, Brescia, Bergamo) are also being investigated via samples of documents.

### 3. The growth of the “informal credit system” during the Italian Republic (1802-1805) and Kingdom of Italy (1805-1814)

The closing of the Monte di Santa Teresa, the Monte Sete and Monte di Pietà, following the arrival of French troops and the establishment of the Cisalpine Republic in 1796, created a huge void in the Milanese credit system; the first of them – originally set up to pay off the public debt inherited from the Banco di Sant’ Ambrogio<sup>7</sup> for the purpose of reducing the dependence of imperial finances on local lenders – substantially assisted the Monte Sete throughout the period of Habsburg reforms because of its relative lack of effectiveness in commercial discounting (i.e. advance payments on goods and securities) to local businessmen. The Monte di Pietà, on the other hand, alongside free pawn loans, acted as a pawnbroker for sums over 30 lire, at an interest rate of 5%, carrying out a task defined by a contemporary observer as “a public good that favours commerce”<sup>8</sup>.

To offset the effects of shutting down these institutes, informal lending became increasingly important and the network of non-institutionalized providers became the principal source of capital. This system of financial exchange – which had existed in Milan and all pre-industrial societies for some time – took root rapidly in the second half of the eighteenth century; with the publication of *Dell’impiego del denaro* [On

<sup>7</sup> See A. Cova, *Il Banco di Sant’ Ambrogio nell’economia milanese dei secoli XVII e XVIII*, Giuffrè, Milan, 1972.

<sup>8</sup> See Archivio di Stato, Milan (hereafter Asm), Commercio, ancient part (hereafter pa), cart. 64, “Project for the re-opening of Monte de’ pegni”, undated; the pawnbroker was closed from 1796 to 1804.

the Use of Money] by Scipione Maffei (1744) and the establishment of the Papal Bull *Vix pervenit* (1745), in Milan, as elsewhere, the question of the legitimacy of interest-yielding loans had been approved in the teeth of religious opposition to trading money; this moral emancipation coincided significantly with the evolution of a formal definition of a deed of loan (replacing the dissembling *obligationes, consensus prestitus*), which at this time began to feature prominently in the acts of notaries<sup>9</sup>, while, from the end of the 1770s, the currency stability created by the reform of 1778 and the gradual rise in the interest rate made investments in the money market particularly attractive. The more than 28 million Milanese lire reimbursed in cash to the holders of public debt generated an enormous amount of additional liquidity which boosted the provision of credit from private individuals<sup>10</sup>. Significantly – although not necessarily a more generalized trend – two Milanese notaries increasingly drew up documents for interpersonal loans which rose from 25-30% of total deeds in the middle of the century to 40-60% in 1775-80<sup>11</sup>.

With the rapid upturn in commercial and manufacturing activity in the city, after the establishment of the French regime, private, interpersonal relations between those involved

<sup>9</sup> See for example the following notary records: Asm, Rubriche notai, cart. 2893, notary Antonio Maggi (1700-1753), cart. 309, notary Antonio Aureggi (1719-1766), cart. 93, notary Pietro Francesco Alberganti (1726-1749).

<sup>10</sup> See S. Zaninelli, "Un capitolo centrale del riordino dei tributi indiretti dello Stato di Milano nella seconda metà del '700: la 'redenzione delle regalie'", in *Studi in onore di Antonio Petino*, I. *Momenti e problemi di storia economica*, Università di Catania, 1986, pp. 334 ss.

<sup>11</sup> See Asm, Notarile, cart. 3775, notary Marco Antonio Pizzigalli; Notary records, cart. 311, notary Carlo Giuseppe Aureggi.

in trading money and those privy to credit circuits, between those who had money and those who needed it, became the main channel by which information on the availability of money, its cost and the reliability of borrowers, circulated in a city that was reorganizing and expanding.

The costs of the allocation and provision of capital, which “comes flowing from everywhere to liven industry and trade” – in the words of Melchiorre Gioia<sup>12</sup> – were absorbed by the network of relationships which had the fundamental function of passing on information effectively and cheaply. This network became increasingly articulated, bringing the various credit circuits of the city together, and becoming the backbone of Milan’s credit system.

Within this framework, a group of merchant bankers emerged (about fifty), specializing in trading money (also internationally), at the top of the credit pyramid with its numerous different strata. These merchant bankers were prominent individuals and banking partnerships (Bignami, Carozzi, Balabio e Besana, Frapolli e Besana, Decio, Carlo Ciani, fratelli Prinetti, Tommaso Carli)<sup>13</sup>, whose addresses (along the streets radiating from Porta Romana, Porta Orientale and Porta Nuova) were well known to city dwellers and became part of the image of Milan<sup>14</sup>; they lent

<sup>12</sup> M. Gioia, *Discussione economica sul Dipartimento d’Olone*, Milano, 1903, p. 118.

<sup>13</sup> See S. Levati and his seminal research on Milanese bankers, their specialization, relations and upward social mobility: *La nobiltà del lavoro. Negozianti e banchieri a Milano tra Ancien Régime e Restaurazione*, FrancoAngeli, Milan, 1997.

<sup>14</sup> See Asm, *Commercio, modern part* (hereafter pm), cart. 9, “Nota delle principali case di Banchieri, commercianti e manifatturieri di Milano”, 12 October 1807; Archivio Storico della Camera di Commercio di Milano (hereafter Accm), box 83, Statistics, folder 2.



money and invested in important commercial and military transactions, as well as handling commercial bills, an indispensable role in facilitating transactions between distant marketplaces. Milan, at the center of trade in Lombardy, was one of the hubs of the extensive network of bankers and foreign exchange dealers spread throughout Europe, with stable financial relations with Amsterdam, Antwerp, Augsburg, London, Vienna, Lyons and Paris. At the same time, the role of foreign exchange agents also increased with brokering – for a 1% commission – “bills of exchange, foreign exchange and other endorsable papers”, evidence of the growing intensity of the network and of the increasing use of financial products in ever broader levels. Twelve were mentioned by the *Servitore di Piazza* in 1789, 28 in 1804. Their accounting records, which the regulations of 1770<sup>15</sup> required them to keep for all brokerage transactions, are evidence of loans and endorsements, and the fact that they handed down their expertise from one generation to the next helped to consolidate their role and intensify the existing network of relations.

During this period, however, more and more evidently, notaries played a central role in the functioning of the private credit market; not so much being themselves as the source of capital, even though they did not shun this opportunity<sup>16</sup>, but as hubs of information, above all concerning the

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<sup>15</sup> See Asm, Commercio pa, cart. 27, memorandum dated 20 March 1770.

<sup>16</sup> In 1801, the notary public Giovanni Battista Alberganti lent the merchant Paolo Antonio Sirtori 4,000 lire for 3 years at 6% per annum “under the agreed security of signor Francesco Baldironi”, Asm, Notarile ultimi versamenti, cart. 542, notary public Sacchi Giorgio.

loans provided by private individuals, non-specialist institutions and other non-professional organizations.

In all financial transactions, the key question was how lenders and borrowers obtained information about each other<sup>17</sup>; in the course of their activities, notaries naturally had access to confidential information about the finances (or financial needs) of their clients; they knew whether they had cash to lend, if they had recently sold or bought property, if they were reliable business partners and prompt payers or if they were close to bankruptcy or needed to sell their assets quickly. In managing this information about reputation, notaries had micro-economic incentives in terms of retaining or increasing their client base, and provided accurate information and references. The quantitative analysis of this phenomenon is not yet complete but the case of the Milanese notary Ignazio Baroggi and the loan contracted by Gaetano Battaglia in 1802 is exemplary: to meet the needs of the latter, a colonel in Napoleon's army and majority partner in his father's firm, 15,000 lire were required to finance the company's trade in leather goods. The notary drew up a contract of loan – for 3 years at 5.5% – with some of his clients “who had capital on hand”, an engineer, Giovanni Cogliati of Milan, Onofrio Camocino of Cremona and Antonia Fumagalli, the widow of Fortunato Radice, giving the lenders assurances about the Battaglia family, being “esteemed merchants”<sup>18</sup>. The details in the possession of notaries about the reputation of potential borrowers reduced the risks of in-

<sup>17</sup> See P.T. Hoffman, G. Postel-Vinay, J.-L. Rosenthal, *Priceless Markets. The Political Economy of Credit in Paris, 1660-1870*.

<sup>18</sup> Asm, Notarile, cart. 49730, 1802, 5 January.

formation being inaccurate (and hence distortions from moral hazard and adverse selection) and enabled this capital market to flourish.

Notaries interested as intermediaries in credit also sought to obtain the trust of bankers and specialists; Cristoforo Caimi devoted himself “entirely to notaries” after a career as “lawyer during the Kingdom of Italy in the Court of commerce” and after “rapidly obtaining the confidence of primary bankers and merchants”<sup>19</sup>.

Thus, their homes became the principal focus for the flow of information in the city and not only the city, turning savings into investments for a wide-ranging sector of society inside and outside Milan. Studies carried out by Ignazio Barroggi, Girolamo Lombardi, Pietro Lonati, Antonio Maderna and Giorgio Sacchi, which deal with some areas of Porta Vercellina, Porta Ticinese and Porta Orientale between 1801 and 1808, show that loans were not only provided and taken out by bankers, merchants, entrepreneurs and specialist employees of ecclesiastical bodies (such as la Fabbrica del Duomo, which maintained Milan Cathedral, and the main city hospital, the Ospedale Maggiore), landowners, patricians, officers and Ministers of State, but also widows, single women, physicists, engineers, bookkeepers and priests in Milan, Brescia, Cremona, and also as far away as Modena and Ferrara, using property, future inheritances and even theatre boxes at La Scala as collateral.

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<sup>19</sup> The quotation is from S. Levati, “Ricostruzione prosopografica e fonte notariale. Metodi e limiti per uno studio dell’élite mercantile milanese”, in *Nouvelles approches de la documentation notariale et histoire urbaine. Le cas italien (XVIIe- XIXe siècle)*, in “Mélanges de l’École Française de Rome. Italie et Méditerranée”, tome 112, 1, 2000, p. 227-241.

This system provided landowners and the wealthy with money at 6% interest (from loans lasting, on average, 3.8 years in the period from 1802-14) to build new houses in the country, enlarge their existing homes, irrigate their land or provide a dowry, or entrepreneurial money at 5-5.5% interest (from loans lasting, on average, 4.4 years) to finance their businesses. The money was allocated less on the basis of the price than the information provided free or at low cost<sup>20</sup>; making it possible – as we have seen – to bring a group of lenders together for a particularly large loan; and creating a fairly stable market (able to withstand sudden ups and downs), as can be deduced by the fact that private loans were also frequently sold to third parties<sup>21</sup>, making them negotiable.

This development in the credit market then met with the modernizing initiatives of Napoleon, beginning in the years of the Italian Republic and intended to create a central discounter and issuer of paper money. In view of the elasticity of the Milanese system, the failure to establish this central authority was not due to the supposed backwardness of the local credit structure, as has been argued, or its inability to understand the importance of such an institution; rather, it was due to the reluctance of those in the market to lose their independence to an improved and regulated discounting system – such as would have been the case if an issuing bank had been created – which, however, would not have been properly tailored to the needs of the local market.

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<sup>20</sup> Only the official brokers (named *sensali*) received a monetary fee for their intermediation.

<sup>21</sup> See for example those of 20 February 1802 and 15 March 1806 in Asm, Notarile, cart. 49730, notary Ignazio Baroggi.

#### 4. The informal supply of credit and the Cassa di Risparmio of Milan (1815-1840)

During the period of the return of the Austrian Empire, from 1815 to 1840, two new actors came onto the scene in Milan's credit market.

First, the so-called "merchants in banking and silk", a category of specialist institutional brokers, who prospered from the 1820s onwards due to the massive expansion of the silk "industry" (cultivation and throwing); for such an expansion, credit was indispensable, especially in the form of working capital, given the lack of heavy investment in fixed assets, and this group of operators joined the credit market making use of advances and deferred payments; in the 1830s about thirty such brokers were registered with the Chamber of Commerce in Milan, their fates being determined largely by the macroeconomic trend in silk, an essential raw material, mainly exported in the form of spun thread<sup>22</sup>. Compared to them, with their access to large foreign markets, local producers could do little and were obliged to accept high loan costs, around 6%, unless they pawned their silk (and thereby lost the opportunity to sell it when the price was highest).

Second, the Cassa di Risparmio (Savings Bank), opened in Milan in 1823 by the government based on the model of the Austrian Sparkasse<sup>23</sup>. It was a philanthropic institution,

<sup>22</sup> See A. Moioli, "Il commercio serico lombardo nella prima metà dell'Ottocento", in S. Cavaciocchi (ed.), *La seta in Europa (sec. XIII-XX)*, Le Monnier, Florence, 1993.

<sup>23</sup> See A.M. Galli, "L'Ottocento", vol. I, in A. Cova, A.M. Galli, *Finanza e sviluppo economico locale. La Cassa di Risparmio delle province Lombarde dalla fondazione al 1940*, Laterza, Milan-Rome-Bari, 1991, pp. 1-84.

created because of concern over the continuous fall in the price of leading agricultural produce, as well as the lack of a credit institution in the territory able to properly safeguard the savings of the lower classes. After the failure, between 1819 and 1821, to set up a branch of the Austrian National Bank, able to issue banknotes, act as a pawnbroker for silk, and a bank for discounting and circulation, the Cassa di Risparmio was the only formal banking institution in Milan (with branches in all the main cities of Lombardy) until the Unification of Italy in 1861.

If the merchants in banking and silk had a well-defined and specialist client base – silk producers – providing short-term loans (2-6 months) and advances via internal agreements and contracts, the Cassa di Risparmio was a bank which, on the sides of both supply and demand, rivalled the city's informal credit system. Although deposits were supposed to be motivated by the essentially philanthropic aim of the bank, the Cassa paid 4% interest on savings accounts (in line with the equivalent Austrian institution) and provided loans to private individuals and charitable entities at 4.5% interest, against real-estate guarantees.

Comparing some data from notaries in the period 1825-40 (shown in table 2, net of the loans provided by the Cassa and by private bankers, which for the whole period range between 5 and 7% of the total) with data for the Cassa in the same period, some interesting facts emerge about the relationship between the institutional credit system and the city's informal one.

In 1825, the Cassa, opened only two years previously, had 2,691,000 Austrian lire in deposits, but the overwhelming majority of savers, despite the declared aims of the bank, were

**TABLE 2**  
**Notarized loans (net of loans drawn up for bankers and  
the Cassa di Risparmio; figures in current Austrian lire)**

Year	Number of Loans	Total Loans	Average Loans	Average Interest Rate	Average Length (years)	N. Sales of Loan	Total Sales of Loan	Average Sales of Loan
1825	648	8,540,005	13,180	4.8	3.15	178	1,541,480	8,660
1830	580	5,373,940	9,893	4.9	3.05	345	2,265,270	6,566
1835	959	10,081,967	10,513	4.7	3.04	191	1,037,894	5,434
1840	1367	12,100,050	8,851	4.6	3.04	187	1,004,003	5,369

Source: data constructed from the notary deeds listed in the Archive References.

not from the lower classes; mortgage loans were provided to the sum of 872,000 lire<sup>24</sup>. Notarized loans, on the other hand, totalled 8.5 million lire, with an interest rate in 65% of cases of 5% and a duration in 40% of cases of 3 years; about 40% of the capital came from the nobility and professionals, 27% from religious bodies and ecclesiastic entities and 14% from women; the sales of loans – at par value – to third parties show how the market was able to meet immediate needs for liquidity and amounted to over 1.5 million lire.

Five years later, deposits in the bank had risen to 4.5 million lire and mortgage loans to 1.4 million<sup>25</sup>; but it was the year of the revolution in Paris, news of which spread quickly to Lombardy, generating a sense of mistrust that directly impacted on the notaries' credit market, too. Within this market, total and average loan amounts fell, the average interest rate rose slightly, and the number of sales of loans increased sharply (47%), evidence of uncertainty in the last five months of the year in Milan and of the presence of capitalists looking for safe investments.

<sup>24</sup> See A.M. Galli, *L'Ottocento*, pp. 37-41.

<sup>25</sup> *Ibid.*, p. 51.

Between 1835 and 1840 – in a situation of an expanding, modernizing regional economy and industry with intensified realignment of agriculture and trading activities – deposits at the Cassa (almost entirely from Milan) increased from 6.7 to 8.3 million lire, whilst mortgage loans rose from 4.5 to 6.5 million<sup>26</sup>. Loans from notaries were up from 10 to 12 million lire, almost double the amount of loans provided by the bank, whilst their average size had fallen sharply (with interest rates also decreasing very slightly).

Substantially, the Cassa – far from being the refuge and safe haven of small savers – had raised capital from the wealthy and from the nobility; the loans granted at 4-4.5% were mostly in the amounts of 20,000 or 50,000 lire (but also 26% between 50,000 and 100,000), and with a duration of 6-10 years; loans were made outside the town, to hospitals and social institutions, to large landowning families (Durini, D'Adda, Serbelloni, Belgioioso, ...), able to provide solid security in the form of properties which were fairly and scrupulously valued<sup>27</sup>.

In a complementary way, the informal provision of loans shifted towards a more varied and less reliable but far more enterprising social group; loans were on average smaller and tailored to specific needs for initiatives, without land guarantees properly covering the loan amount, whose place was taken by the information about reputation provided by informal networks and personal relations. What these operators paid over and above the rate offered by the Cassa was no more than half a percent. Traditionally, loans had been

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<sup>26</sup> Ibid., p. 65.

<sup>27</sup> Ibid., pp. 48-83-84.



provided for property and family reasons (dowries, inheritance, religious benefactions), but now they went largely to industrial and commercial projects, including all the large-scale enterprises in Milan and Lombardy in the 1830s and 1840s: sugar producers, shipping and insurance companies, mechanical engineering firms, textiles, pharmaceuticals and trade in colonial items.

At the same time, informal loan providers were also changing identity: alongside the nobility, in 1840 the top position was occupied by charitable and ecclesiastical institutions, with 31% of the total. In other cities, this figure was even higher: mid-century, Vienna asked for a loan from the Lombard-Veneto ecclesiastical authorities because it had “remarked that among charitable entities with large amounts of capital, Church Trustees and the like are prominent”; in Brescia the sum invested by these institutions in loans amounted to over 9 million Austrian lire, and a further over 23 million to private individuals<sup>28</sup>.

Perhaps fierce competition from this loan activity, based on informal and private networks and also mobilizing forced savings (made up of dowries, bequests by religious institutions, charity donations), made it difficult to “institutionalize” credit, leaving a difficult market for modern banks.

## 5. Concluding remarks

In Milan, the world of non-institutionalized credit, popu-

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<sup>28</sup> See M. Pegrari, “Le ricchezze della chiesa, la chiesa delle ricchezze. Economia e ordini regolari nella Repubblica di Venezia alla fine del Settecento”, in *Studi Storici* Luigi Simeoni, LVII (2007), pp. 247-248.

lated by noblemen, the bourgeoisie, merchants, ecclesiastical bodies and religious entities – typical for the early modern age – expanded rapidly from the last decades of the eighteenth century; the flow of money from the redemption of public debt placed in the hands of thousands of subscribers with fresh capital that was invested in an economy undergoing deep transformation. Notaries emerged as the backbone of this market, not only as certifiers of the legality of loan agreements: thanks to the rich store of information accumulated from their clients and increasing income from the successful completion of transactions, they progressively, reliably and efficiently, intermediated supply and demand for credit.

With the French presence and the consequent liquidation of the few existing financial organizations (Monte di Santa Teresa, Monte di Pietà), the range of the unofficial credit market widened, contributing to a new social balance; alongside notaries, networks of relatives, local and professional relations were built up, creating a mechanism of trust and for verifying reputations which constituted the social base for the provision of credit<sup>29</sup>.

On this basis, notaries were able to serve a large portion of society in Milan, including the lower classes; it can be estimated that in 1840 almost a fifth of the households in the city had obtained notarized loans; using consolidated information rather than generic guarantees and collateral, these in-

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<sup>29</sup> See P. Servais, "Traditions, cultures et réseaux de crédit: Liège du XVI<sup>ème</sup> au XIX<sup>ème</sup> siècle", in L. Fontaine, G. Postel-Vinay, J.-L. Rosenthal, P. Servais, *Des personnes aux institutions. Réseaux et culture du crédit du XVI<sup>e</sup> au XX<sup>e</sup> siècle en Europe*, Actes du colloque international "Centenaire des FUCAM", Mons, 14-16 November 1996, pp. 284-300.

termmediaries moved large sums and provided medium and long-term finance for the more modernised entrepreneurial activities, which the Cassa di Risparmio was not willing or able to fund. This bank, which did not have the same detailed information available, worked on the basis of the scrupulous evaluation of property used as collateral and hence ended up lending only to aristocratic landowners and city authorities. As in France, examined by Hoffman, Postel-Vinay and Rosenthal, in Milan too, the bank was no substitute for notaries, “if anything, they were complementary”<sup>30</sup>. The two sides of the credit world, formal and informal, co-existed, complementing each other and, later, crossing over into the terrain normally occupied by the other; after 1861, much of the detailed information provided by notaries and the ability to monitor informal credit networks, became working methods adopted by the banks.

This does not mean that, compared to the evolution of new banking institutions able to bring together liquidity and risk pooling, notaries who dealt only in information, were not, in fact, making the best of an old job<sup>31</sup>; it merely suggests that an interpretation of credit transformation from the old regime to the industrial age is inadequate; the new banks that emerged did not, nor did they wish to, wholly replace conventional credit mechanisms, but moved parallel to them

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<sup>30</sup> Hoffman, P.T., G. Postel-Vinay, J.L. Rosenthal, *The Old Economics of Information and the Remarkable Persistence of Traditional Credit Markets in France, 1740-1899*, California Institute of Technology Social Science Working Papers, 2007, p. 27.

<sup>31</sup> J. Jonker, Review of P.T. Hoffman, G. Postel-Vinay, J.L. Rosenthal, “Priceless Markets, the Political Economy of Credit in Paris, 1660-1870”, Chicago, UCP, 2000, in *Financial History Review*, 8, 2001, 2, p. 234.

and learned significantly from them; similarly, before the emergence of the new banks, financial innovation and credit activities were often carried out informally and privately, also fostering progress and economic modernization<sup>32</sup>.

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